ORAL ANSWERS TO QUESTIONS

विदेशी निवेश को प्रोत्साहित करने के उपाय

*561. **श्री ओम प्रकाश कोहली:** क्या वित्त मंत्री यह बताने की कृपा करेंगे कि:

(क) वित्तीय वर्ष 1994-95, 1995-96 तथा 1996-97 के दौरान प्रतिवर्ष कुल कितना विदेशी निवेश हुआ है;

(ख) कुल विदेशी निवेश में प्रत्यक्ष विदेशी निवेश तथा पोर्टफोलियो निवेश का अंश कितना-कितना है; और

(ग) विदेशी निवेश को प्रोत्साहित करने के लिए सरकार कौन-कौन से नीतिगत उपाय करने पर विचार कर रही है?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) (a) to (c) A Statement is laid on the Table of the House.

Statement

Measures to Boost Foreign Investment

(a) and (b). The figures of foreign investments made during the financial years 1994-95, 1995-96 and 1996-97 are as under:

(US $ Million)

		1994-95	1995-96	1996-97
1.	Direct Investment	1314 (27.18%)	1929 (42.14%)	2587 (40.22%)
2.	Euro equities (Global Depository Receipts)	1992 (41.21%)	613 (13.39%)	1454.6 (22.62%)
3.	Foreign Institutional Investors	1528.3 (31.61%)	2035.7 (44.47%)	2389.7 (37.16%)
		4834.30 (100%)	4577.70 (100%)	6431.3 (100%)

(c) The Government have taken various steps to attract foreign investments particularly with a view to achieving in future the target in the Common Minimum Programme of an annual Foreign Direct Investment inflow of $ 10 billion.

The measures taken to attract foreign direct investment include automatic approval up to 51% of foreign equity in high priority industries listed at Annexure-III of the Industrial Policy which included earlier 35 industries and has since been expanded to include 13 additional categories; automatic approval up to 50% foreign equity in 3 categories of industries/items relating to mining activities and 9 categories of industries/ items for foreign equity upto 74%

Substantial flexibility has been given to Indian corporates in the matter of accessing the global market through Global Depository Receipts (GDR)/ Foreign Currency Convertible Bonds (FCCB)

Measures taken in the recent past to attract portfolio investments include raising the investment limits individual FIIs sub accounts of FIIs in the total issued capital of individual companies from 5% to 10% subject however to investment by all FIIs/NRIs/OCB in the aggregate being limited to 24% of the issued capital of the company. The limit of 24% has also been raised to 30% subject to (a) approval by the Board of Directors of the Company and (b) a Special Resolution passed by the General Body of the Company to the enhanced limit of 30%. FIIs have been broad based

through inclusion of university funds, endowment funds, charitable trusts/ societies with a track record. FIIs have also been parmitted to invest in unlisted companies with a view to attracting such investments in infrastructure sector.

श्री ओ०पी० कोहली: सभापति महोदय: मेरे पूरक प्रश्न का संबंध फॉरेन डायरेक्ट इंवेस्मेंट और एक्सपोर्ट के लिंक संबंध से और इसी प्रकार फॉरेन डायरेक्ट इन्वेस्टमेंट और रोजगार के लिंक से है। मेरा प्रश्न इस प्रकार है- क्या यह सच है कि हमारे कुल विदेश प्रत्यक्ष निवेश का बहुत बड़ा हिस्सा ऐसे क्षेत्रों में निवेश किया गया है जो न तो एक्सपोर्ट आरेंएंटेड क्षेत्र हैं और न ही लेबर इंटेंसिव क्षेत्र हैं। परिणामस्वरूप विदेशी प्रत्यक्ष निवेश का न तो एक्सपोर्ट बढ़ाने में कोई उल्लेखनीय योगदान रहा है और न ही रोजागर सृजन में। ईस्ट एशिया के देशों में विदेशी प्रत्यक्ष निवेश के कारण एक्सपोर्ट भी बढ़ा है और रोजगार सृजन भी हुआ है। मैं सरकार से जानना चाहूंगा कि विदेशी प्रत्यक्ष निवेश को एक्सपोर्ट ओरिएंटेड इण्डस्ट्रीज की ओर तथा लेबर इंटेंसिव इण्डस्ट्रीज की ओर आकर्षित करने के बारे में सरकार की क्या नीति है? सरकार ने फॉरेन डायरेक्ट इंवेस्टमेंट को एक्सपोर्ट और एम्प्लोयमेंट से लिंक करने के लिए अब तक क्या प्रयास किए?

SHRI P. CHIDAMBARAM: Mr. Chairman Sir, it is not correct to say that foreign direct investment in not flowing into areas which generate either exports or employment. Sir, if we look at approvals granted by the Government, sector-wise distribution of approvals reveals that 19 per cent has gone into fuel, that is power and oil refineries, Twenty-four per cent has gone into telecom, electronics and electrical equipments; chemicals, food processing industries, transportation, industrial machinery are other sectors into which FDI has flowed. To answer the hon. Member's question, look at fuel. Any investment flowing into power and oil, generates direct employment in that power facility or oil facility. It also, in my view, generates enormous employment down-stream because it adds to power and oil capacity. Hundreds of industries benefit if we add to power and oil capacity. Similarly telecom, investment by the telecom equipment manufacturer or the telecom service producer will generate employment directly. But indirectly also it will generate a large amount of employment. The question is, does it also generate exports? It does. If our export-oriented industries are starved by power as they are today in many States of India, they will not be able to generate exports. As I said in my reply to the Finance Bill in the Eighth Plan, planned to add about 35,000 MW of capacity. We ended with only adding 18,000 MW of capacity. In the Ninth Plan our target is to add 38,000 MW of capacity. This money will only come not only from domestic resources bout also from foreign resources. We have a detailed break-up of sectoral flow of foreign investment, metallurgical industries, fuels, boilers, steam generating plants, prime movers, electrical equipment, telecommunication, transportation industry, industrial machinery, machinery tools, I can go down the list. It is quite clear to me that the bulk of this investment will clearly generate employment and it will also generate exports.

श्री ओ०पी० कोहली: सर, मेरा दूसरा पूरक प्रश्न यह है कि 1991 से मार्च 1997 तक कुल कितनी राशि के विदेशी प्रत्यक्ष निवेश प्रस्तावों को अप्रूव किया गया है? अप्रूव्ड इनवैस्टमेंट में से वास्तविक निवेश, ऐक्चुअल इनफ्लो कितना हुआ है? ऐक्चुअल इनफ्लो के कम रहने के क्या कारण हैं? मेरे प्रश्न का पार्ट "बी" यह है कि ऐनर्जी सैक्टर में 1991 से मार्च 1997 तक कुल कितनी राशि के विदेशी प्रत्यक्ष निवेश प्रस्ताव अप्रूव किए गये हैं और वास्तविक निवेश कितने है? ऐनर्जी सैक्टर में विदेशी प्रत्यक्ष निवेश के पिकअप न करने के क्या कारण हैं?

SHRI P. CHIDAMBARAM: Sir, I have the foreign investment approvals figure. We can go by the year beginning with reforms, August to July. August 1991 to July 1992 approval was Rs. 1953 crores; August 1992 to July 1993, Rs. 7222 crores; August 1993 to July 1994, Rs. 6582 crores; August 1994 to July 1995, that is the fourth year, Rs. 20,587

crores; with in the fifth year August 1995 to July 1996, Rs. 41,767 crores. Now for the sixth year, August 1996 to July 1997 the figues not complete yet. So the total of the approval we have got is Rs. 107,919 crores. The hon. Member wanted to know the actual inflows of foreign investment.

These figures are also available. The actual inflow of foreign investment, as against a total FDI approval amounting to Rs. 96,116 crores, including Euro issue, between 1991 to February 1997 is Rs. 22,679 crores. This is up to February 1997. This indicates an approval to inflow ratio of roughly 4:1. The main reason why approval to inflow ratio is not yet quite satisfactory is many of these are long gestation period projects. For example, projects in power and refinery take much longer than three to four years. Excluding the mega projects which involve nearly 50 per cent of the FDI approval, the approval inflow ratio is 2:1 which is considered reasonable and internationally comparable. As far as energy sector is concerned, I just gave the figures. As far as fuel is concerned, in power approvals are Rs. 12, 872 crores, oil refinery Rs. 7,848 crores and other fuels Rs. 1,034 crores. This is the approval for fuel sector.

DR. BIPLAB DASGUPTA: Sir, from the figures given in the answer to the question, I find that among different types of foreign investments, the proportion accountable to direct foreign investment is quite low. In fact, if you take the three years together, 1994-95, 1995-96 and 1996-97, it is about six billion dollars. It comes to two billion dollars per year. It is far below the target of 10 billion dollars which is being projected by the Government. I do not know how the Government is planning to achieve this target when the actual realisation is far, far below the target which has been mentioned. Moreover, I have got a feeling and I may share it with you. If you look at the major investors, you will find that the Japanese investors will be more likely to invest in the South-east Asia, which is their market—China. The Germans are more interested in Central Europe. They are mainly investing there. The United States is mainly interested in the Latin American countries and the former Soviet Union Republic, etc. In this situation, there is a feeling whether foreign investment is good or bad, another thing, I am not going into that aspect—that the target which has been envisaged is somewhat unrealistic. On the other hand, relying too much on other types of foreign investment like FII, Euro equities, GDR and so on, will add a certain amount of instability in the management of the economy because of the speculative role they play. I would like to have the response of the Finance Minister on this issue.

SHRI P. CHIDAMBARAM: Sir, it is true that the goal is to attract ten billion dollars of foreign direct investment every year. In fact, the Common Minimum Programme says and I quote, "India needs and has the capacity to attract ten billion dollars of FDI." It was not envisaged that ten billion dollars would be achieved in the first year. It cannot. If you look at 1995-96, the FDI was 1,929 million; add to that Euro equity, which I believe should be added—I will explain in a moment why it should be added—which was 6.13 million, a total of 2.5 billion US dollars. In the first year of the UF Government, 1996-97, this increased to four billion US dollars. I think the step-up of 2.5 billion to four billion dollars in the first year of the U.F. Government, given the change in the Government and political uncertainty, was a commendable achievement. It shows that foreign investor continues to repose confidence in the performance of the Indian economy. I believe that if we continue to follow the correct policies, continue to promote not only domestic investment, but foreign investment, keep our policies transparent, our procedures simple and clear and there is a supportive climate for foreign investment, it is quite possible to achieve

10 billion dollars within the five year period that was envisagd in the CMP maybe, sooner.

But this will depend upon the kind of signals that we send to foreign investor. Now, why do I say that Euro equity should be added to direct investment? It is for two reasons. Firstly, the guideline for approving Euro issues is the same as the guideline for FDI. Secondly, foreign direct investment is a direct investment in the equity of a company. GDR issues are also an investment in the equity of a company, except that as long as it is a depository receipt it is held by the depository receipt holder, which then gets converted to an equity after a period of time. So, both according to me are equity. And, in fact, when we count equity investment or when any other country counts equity investment it always adds foreign direct investment as well as global depository reciept issues.

I think we have done well in 1996-97. There is no reason to believe that we will not achieve the target of 10 billion dollars.

SHRI SANJAY DALMIA: Sir, I would like to know whether the Government would consider giving special incentives to NRI investors, because most of the Chinese direct investment is through the overseas Chinese. Considering this situation, would the Government consider giving special incentives to NRI investors so as to make up this 10 billion dollars, which is the programme for direct foreign investment? For example, there are some special tax benefits which can be given to NRI investors. There can also be a 'safety net', which means an assured return which can be considered by making a small amendment in the law so that NRI investors can get a minimum return of 15 to 20 per cent. If that kind of scenario is possible, then the Government can make up this difference of 4 billion and 10 billion dollars by NRI investments. So, my question is whether the Government is willing to consider special incentives for NRI investors?

SHRI P. CHIDAMBARAM: Sir, I appreciate the spirit behind the question. Infact, there is a special place for NRI investors in our scheme. I do not wish to read out all the special benefits given to NRIs. I am willing to share it with the hon. Member. But broadly NRI OCB investment is permited up to 100% under Automatic Route in Annexure-III to the New Industrial Policy as well as trading companies as compared to 51% for other foreign investors. NRIs are also permitted to invest up to 100% in the following areas, namely, sick industries, hospitals, shipping, export-oriented deep-sea fishing trawlers, oil exploration services, setting up 100% export-oriented units. NRI OCBs are permitted 100% equity participation in housing and real estate development sector. In non-Annexure-III industries, investments of NRI OCBs up to 51 per cent in companies other than listed companies will be permitted under RBI Automatic Approval Route. Then there are special facilities in portfolio investment schemes.

NRIs have a special place. But I am willing to consider any suggestion which the hon. Members may make in order to make it even more attractive for NRIs. We have a special place for NRIs in India.

SHRI NARENDRA MOHAN: Mr. Minister, perhaps you are aware that the inflow of this 10 billion dollar investment was targeted for infrastructural industries and for such technology which is not available in India. But the investment is coming mostly in such units which are consumer-oriented. Investments are being invited and accepted even for ice-creams and soft-drinks.

You can separately quote that the total percentage-wise investment may be more for infrastructure sectors, like energy, but my question is whether the proposals which you are considering for foreign investment, most of them, are for consumer industries. Is it correct?

SHRI P. CHIDAMBARAM: It is not correct, Sir.

SHRI NARENDARA MOHAN: Is this the only responsibility, Sir, or are you willing to say that consumer industries are not being promoted for foreign investment?

SHRI P. CHIDAMBARAM: Let me answer. It is not correct to say that a bulk of investment is flowing into consumer industries. I have just given in answer to an earlier question, the break-up industry-wise. Metallurgical industries, 6.32 per cent; fuels, 21.44 per cent; boilers, steam generating plants, prime movers, electric equipment, 6.30 per cent; telecommunications, 22.43 per cent; transportation, 5.8 per cent; the whole list of machinery comes to about another 20 per cent. If you talk about the consumer industries—and you are referring, as I believe by alluding to the ice-cream sector—it is food processing industries. Now, I don't believe that all food processing industries need to be rubbished because that, I think, is a growth area for agriculture. Assuming that all food processing industries sector is "bad sector", according to you, the total investment flow into that sector is only 5.61 per cent. So, 95 per cent is going to non-food processing industries. Even within the food processing industries, Mr. Chairman, Sir, I submit most humbly and most sincerely that many of these industries require the technology so that our agricultural producers and agricultural products can find export markets. So, it is not correct to say that a bulk of the investment is going into the soft or the bad sectors.

SHRI NARENDRA MOHAN: Do you mean to say that ice-cream and soft drinks are meant for exports?

SHRI P. CHIDAMBARAM: It is a very, very small percentage.

MR. CHAIRMAN: Anyway, it is very minor. Shri Ashok Mitra.

SHRI ASHOK MITRA: Sir, What I have to ask has some nexus with the question which was just raised. I wish the Finance Minister could help us out. When the figures of approved foreign investment are published, these figures are available in considerable details, in terms of individual sectors of industry and service industries and also in terms of regions where these investments are proposed. But, when we come round to the situation where data on direct foreign investment as has actually materialised or published, we find that these details are not there. Ever since I have been in this House, I have tried to elicit this information from the Ministry of Finance and I have got the standard reply that these data are not centrally maintained. Now, this puzzles me. You have the details of the approved investment,but you don't have the data for actual investment. Now, even if you don't correct it for the present, can't you make some arrangement so that these data are made available to us?

SHRI P. CHIDAMBARAM: Sir, as I said, data is available for acutal flow of foreign direct investment and I am willing to share that data. I don't recall—I may be wrong—declining to furnish the data to a question put to my Ministry, but I have the data. Actual inflow of foreign direct investment calendar year-wise: 1991—351.4 crores; 1992—675.2 crores; 1993—1,786.7 crores; 1994—2,981.8 crores; 1995—6,370.2 crores; 1996—8,440.6 crores. So, this data is available.

SHRI ASHOK MITRA: I am sorry.....

SHRI P. CHIDAMBARAM: I am coming to that. I know our question. You are in such a great hurry. Now, what the hon. Member further wants to know is whether it is available sector-wise. Yes, it is now available sector-wise up to the year 1994-95. It is not available yet for 1995-96 and 1996-97. We have pursued the matter with the Reserve Bank which maintains the actual flows—we have it sector-wise. In fact, this information has been received a couple of days ago. We

have to validate it. The Industry Ministry wishes me to say these data which have come from the R.B.I. would have to be checked and validated, but subject to validating, subject to checking and confirming, this data, broadly speaking, we have data, sector-wise for 1991-92, 1992-93, 1993-94 and 1994-95.

Once the Industry Ministry confirms it, I will request the Industry Minister to make this available in the Library.

SHRI ASHOK MITRA: What about the region-wise data?

SHRI P. CHIDAMBARAM: Region-wise I have some data. ...*(Interruptions)*... We will try to get the others.

*562. [*The Questioners (Shri S.M. Krishna) was absent. For answer vide col. 34 infra.]*

*563. [*The Questioners (Shri Govindrao Adik) was absent. For answer vide col. 35 infra.]*

*564. [*The Questioners (Shri Prem Chand Gupta) was absent. For answer vide col. 37 infra.]*

Non-Payment of Dividend and Interest by M/s J.K. Synthetics Limited and M/s Bindal Limited

*565. SHRI VIRENDRA KATARIA: Will the Minister of FINANCE be pleased to state:

(a) whether it has come to Government's notice that M/s. J.K. Synthetics Limited and M/s. Bindal Limited are not paying dividend on their shares and interest on their debentures to the holders of their shares and debentures for the last three or four years;

(b) if so, the reasons therefor and what action Government propose to take to protect the interests of shareholders and debenture holders of those companies, especially the secured debenture holders; and

(c) whether Government would also hold enquiry into the affairs of the Companies to find out the irregularities being committed by them; if so, the details thereof and if not, the reasons therefor?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (c) A statement is laid on the Table of the House.

Statement

J.K. Synthetics Ltd. has made recurring losses from 1992-93.

It has come to the notice of Government that J.K. Synthetics Ltd. has during recent years defaulted in the payment of interest on debentures. In some cases, such grievances have been redressed when they were taken up with the Company.

There is no company registered in the name and style of "Bindal Limited".

The declaration of dividend on equity by a company would depend on the company making adequate profits.

In the event of default in payment of interest on debenturers, the secured debenture-holders may seek remedy under the provisions of the Debenture Trust deeds.

The Government has ordered an inspection into the books of accounts and records of J.K. Synthetics Ltd. under Section 209A of the Companies Act, 1956, in order to ascertain whether there are irregularities in the management of its affairs.

SHRI VIRENDRA KATARIA: Sir, the hon. Minister has laid a statement on the Table of the House. But, in this statement he has, in my opinion, tried to water down the situation. Sir, such irregularities are not going on only in the JK Synthetics Limited, but in many other companies also such things are happening. The poor shareholders and the debenture holders are being defrauded. I would like to know the amount which these companies owe to